

Return on Investment (ROI) Program Funding Application

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FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform post implementation outcome audits for all Pooled Technology funded projects and may perform audits on other projects.

This is a Pooled Technology Fund Request. Amount of funding requested: \$506,250.00

Section I: Proposal

Date:	7/24/2003
Agency Name:	Department of Revenue
Project Name:	Electronic Tax Administration
Agency Manager:	Rich Jacobs
Agency Manager Phone Number / E-Mail:	(515)281-3488 / richard.jacobs@idrf.state.ia.us
Executive Sponsor (Agency Director or Designee):	Michael Ralston

D. Statutory or Other Requirements

Is this project or expenditure necessary for compliance with a Federal law, rule, or order?

☐ YES (If "Yes", cite the specific Federal law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Is this project or expenditure required by state law, rule or order?

☒ YES (If "YES", cite the specific state law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Agency strategic plan supports Governors Policy initiatives to encourage use of electronic services to meet customer needs; this program continues agency commitment to provide various services electronically.

Does this project or expenditure meet a health, safety or security requirement?

☐ YES (If "YES", explain.)

Explanation:

Is this project or expenditure necessary for compliance with an enterprise technology standard?

☒ YES (If "YES", cite the specific standard.)

Explanation:

In providing the services outlined, the department intends to comply with the standards relating to e-payment, eforms and the use of appropriate application development tools and databases. Such compliance has been a component of all e-services applications completed by the agency.

[This section to be scored by application evaluator.]

Evaluation (20 Points Maximum)

If the answer to these criteria is "no," the point value is zero (0). Depending upon how directly a qualifying project or expenditure may relate to a particular requirement (federal mandate, state mandate, health-safety-security issue, or compliance with an enterprise technology standard), or satisfies more than one requirement (e.g. it is mandated by state and federal law and fulfills a health and safety mandate), 1-20 points awarded.

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E. Impact on Iowa's Citizens

a. Project Participants

List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, other levels of government, etc.) and provide commentary concerning the nature of participant involvement. Be sure to specify who and how many **direct** users the system will impact. Also specify whether the system will be of use to other interested parties: who they may be, how many people are estimated, and how they will use the system.

Response:

--Partnering with DAS-IT, the department will work to develop applications that support the use of emerging technologies,
--To insure the effective design of sales and local option tax collection systems, local governments will be included in the design process
--Customer groups including various tax associations, tax professionals and other agencies that utilize internal applications will be included in design, marketing and evaluation of each application
--Other state tax and accounting organizations will be periodically surveyed to insure that department strategy can benefit from the previous efforts by others
---Internal Revenue Service will continue to be a strong partner in development of applications that are used for electronic tax administration.

b. Service Improvements

Summarize the extent to which the project or expenditure improves service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

Response:

The FY 2005 Return on Investment funding request continues the program efforts begun previously, however, its focus is narrowed to 3 distinct areas:

1. Supporting electronic filing and payment of Withholding taxes
2. Expanding Electronic Filing of Individual Income Tax and Sales Tax Returns
3. Developing interfaces between current legacy applications and Internet to encourage electronic retrieval of information and submission of information/payments necessary to support tax administration.

Each of these applications directly affects Iowa citizens in three ways:

- a) Cost of completing transactions with state government is reduced
- b) Time for service is reduced - This is true whether in the form of reduction in time for transactions or registrations to be processed or in obtaining access to information necessary for customer to complete required transactions.
- c) Accuracy of information submitted and retrieved is improved resulting in fewer customer errors

Whether it be from reduced costs for preparation of tax returns, improved access to information or simply the improvements in operating efficiency in the agency, customers of the Iowa Department of Revenue (i.e. citizens of Iowa, individuals and businesses located around the nation or other government agencies) will each benefit. As documented in the following sections, the estimated benefit of such an investment could be expected to be \$5.1 million annually. In addition, the increased use of effective e-filing options permits the department to continue to allocate its declining resources to insure the timely processing of tax returns and accompanying payments. Such payments not only include refunds of taxes to individuals but a significant amount of local option taxes which are collected and returned to local governments

Without a continuing increase in the use of such e-filing options, delays in deposit and issuance of refunds would be more common place. Customers will experience the direct effects of these delays and the state will experience several hundred thousand dollars of interest costs.

c. Citizen Impact

Summarize how the project leads to a more informed citizenry, facilitates accountability, and encourages participatory democracy. If this is an extension of another project, what has been the adopted rate of Iowa's citizens or government employees with the preceding project?

Response:

The department serves in excess of two million customers of which the majority come into contact with the agency through filing and payment of individual income, sales, use and withholding taxes. The department recognizes that providing web-enabled access to information will improve the efficiency of operations and provide improved service to the users of these systems in several important ways.

A) With nearly 60 percent of income tax returns expected to be filed electronically in 2004, the department

is well on its way to reaching the goal of having 80 percent of individual income tax returns filed electronically by 2007. As the agency attempts to increase utilization of these various services, funding is sought for both marketing and support of the existing web and IVR based applications

B. Over 70 percent of business customers surveyed indicated that they wished to have 24X 7 access to their account information. The applications described in the Electronic Tax Administration program are intended to meet the requests of businesses to update their profile information and to have access to past payment records.

C. The effectiveness of traditional processing, deposit, enforcement and collection services must continue to improve. In order to provide the infrastructure which will allow for the continued expansion of electronic services. The request provides this support by requesting the resources necessary to complete construction of an additional application within the departments Integrated Revenue Information System (IRIS). This application will process transaction data from nearly 800,000 withholding tax returns and remittances. With the inclusion of withholding tax data into IRIS, data from the four major revenue sources will be integrated in one database thereby allowing taxpayers and application developers a single access point for electronic tax transactions.

D. Maintaining the security of tax return information is also a key component of the initiative. More than most government organizations, the department must insure that data is secure during transmission, while stored and when retrieved. The agency has committed substantial funds to building a secure network infrastructure that meets IRS and state requirements. The proposal will insure the continuity of this security infrastructure as we conduct business electronically with our customers.

E. Over 90% of customers surveyed indicated that if department creates additional applications they will utilize these applications. With the development and marketing of applications used by nearly one million individuals and businesses, the department demonstrated that if "WE BUILD IT, THEY WILL COME".

d. Public Health and/or Safety

Explain requirements or impact on the health and safety of the public.

Response:

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimally improves Customer Service (0-3 points).
- Moderately improves Customer Service (4-6 points).
- Significantly improves Customer Service (7-10 points).

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

- Minimally directly impacts Iowa citizens (0-5 points).
- Moderately directly impacts Iowa citizens (6-10 points).
- Significantly directly impacts Iowa citizens (11-15 points).

F. Process Reengineering

Provide a pre-project or pre-expenditure (before implementation) description of the impacted system or

process. Be sure to include the procedures used to administer the impacted system or process and how citizens interact with the current system.

Response:

The proposal would allow the agency to extend its successful implementation of e-services which are demonstrated in one of the visions the agency has for electronic tax administration. Currently, legacy applications are used to support the capture and processing of tax information submitted primarily in paper format. Information is processed and stored in legacy databases which are used to generate correspondence and other information for customers. Customer inquiries are responded to through use of applications interfacing to these databases. The goal of the applications is to re-engineer the processes to allow direct customer access to electronically filed data.

Provide a post-project or post-expenditure (after implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens will interact with the proposed system. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response:

Electronic submission and electronic retrieval of information necessary to conduct business with the state will be the key objective. However, rather than simply automating these processes, the agency intends to examine the functions as the applications are initiated. We intend that the sales tax process will be reengineered to switch the focus from a point where data is filed with and maintained by the department to one in which the customer (through the Internet Application) maintains and retrieves their own record of payments and transactions.

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimal use of information technology to reengineer government processes (0-3 points).
- Moderate use of information technology to reengineer government processes (4-6 points).
- Significant use of information technology to reengineer government processes (7-10).

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[This section to be scored by application evaluator.]

Evaluation (5 Points Maximum)

- The timeline contains several problem areas (0-2 points)
- The timeline seems reasonable with few problem areas (3-4 points)
- The timeline seems reasonable with no problem areas (5)

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H. Funding Requirements

On a fiscal year basis, enter the estimated cost by funding source: Be sure to include developmental costs and ongoing costs, such as those for hosting the site, maintenance, upgrades, ...

	FY05	FY06	FY07

	Cost(\$)	% Total Cost	Cost(\$)	% Total Cost	Cost(\$)	% Total Cost
State General Fund	\$499,275	50%	\$301,500	52%	\$226,500	44%
Pooled Tech. Fund /IowAccess Fund	\$506,250	50%	\$282,500	48%	\$282,500	56%
Federal Funds	\$0	0%	\$0	0%	\$0	0%
Local Gov. Funds	\$0	0%	\$0	0%	\$0	0%
Grant or Private Funds	\$0	0%	\$0	0%	\$0	0%
Other Funds (Specify)	\$0	0%	\$0	0%	\$0	0%
Total Project Cost	\$1,005,525	100%	\$584,000	100%	\$509,000	100%
Non-Pooled Tech. Total	\$499,275	50%	\$301,500	52%	\$226,500	44%

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- The funding request contains questionable items (0-3 points)
- The funding request seems reasonable with few questionable items (4-6 points)
- The funding request seems reasonable with no problem areas (7-10)

I. Scope

Is this project the first part of a future, larger project?

☒ YES (If "YES", explain.) ☐ NO, it is a stand-alone project.

Explanation:

Department considers electronic tax administration oan ongoing program.

Is this project a continuation of a previously begun project?

☒ YES (If "YES", explain.)

Explanation:

Efforts made in FY01- FY04 which were partially funded from Pooled Technology resources are to continue under this program. To eliminate funding at this time will in effect result in obsolescene in initial applications and will preclude the completion of applications for which design work had begun.

J. Source of Funds

On a fiscal year basis, how much of the total project cost (\$ amount and %) would be absorbed by your agency from non-Pooled Technology and/or IOWAccess funds? If desired, provide additional comment / response below.

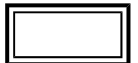
Response:

\$499,275 or 50% initial expenditure with estimated 52% and 44% in following years.

[This section to be scored by application evaluator.]

Evaluation (5 Points Maximum)

- 0% (0 points)
- 1%-12% (1 point)
- 13%-25% (2 points)
- 25%-38% (3 points)
- 39%-50% (4 points)
- Over 50% (5 points)



Section II: Financial Analysis

A. Project Budget Table

It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related.

The Total Annual Prorated Cost (State Share) will be calculated based on the following equation:

$$\left[\left(\frac{\text{Budget Amount}}{\text{Useful Life}} \right) \times \% \text{ State Share} \right] + (\text{Annual Ongoing Cost} \times \% \text{ State Share}) = \text{Annual Prorated Cost}$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff	\$499,275	4	100.00%	\$301,500	100.00%	\$426,319
Software	\$0	4	0.00%	\$0	0.00%	\$0
Hardware	\$0	3	0.00%	\$0	0.00%	\$0
Training	\$0	4	100.00%	\$0	0.00%	\$0
Facilities	\$0	1	0.00%	\$0	0.00%	\$0
Professional Services	\$420,000	4	100.00%	\$60,000	100.00%	\$165,000
ITD Services	\$47,500	1	100.00%	\$47,500	100.00%	\$95,000
Supplies, Maint, etc.	\$0	1	0.00%	\$0	0.00%	\$0
Other	\$38,750	4	100.00%	\$0	100.00%	\$9,688
Totals	\$1,005,525	---	---	\$409,000	---	\$696,006

C. Tangible and/or Intangible Benefits

Respond to the following and transfer data to the ROI Financial Worksheet as necessary:

1. Annual Pre-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.

Describe Annual Pre-Project Cost:

Reductions in costs are expected to allow other programs to be continued;

Quantify Annual Pre-Project Cost:

	State Total
FTE Cost (salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00

Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$0.00
Total Annual Pre-Project Cost:	\$0.00

2. Annual Post-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation.

Describe Annual Post-Project Cost:

Estimated savings which would be redirected to other projects of approximately \$200,000.

Quantify Annual Post-Project Cost:

	State Total
FTE Cost (salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$0.00
Total Annual Post-Project Cost:	(\$200,000.00)

3. Citizen Benefit - Quantify the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of \$10 per hour for citizen time.

Describe savings justification:

Transaction Savings

Number of annual online transactions:	1
Hours saved/transaction:	1
Number of Citizens affected:	326,666
Value of Citizen Hour	15
Total Transaction Savings:	\$4,899,990
Other Savings (Describe)	\$0
Total Savings:	\$4,899,990

4. Opportunity Value/Risk or Loss avoidance - Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding

the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or Federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

Difficult to quantify, however, failure to meet IRS requirements for security of data has potential of endangering state access to IRS data which is a source of substantial compliance revenue.

5. Benefits Not Readily Quantifiable - List and summarize the overall non-quantifiable benefits (i.e., IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.).

Response:

Agencys infrastructure of applications and services is diverse and complex; failure to maintain and enhance this infrastructure will mean a reduction in services that can be offered to our customers. In addition, the agency staff will find that it will lose the chance to work in an agency which places a premium on technology, thereby affecting morale and employee satisfaction.

ROI Financial Worksheet	
A. Total Annual Pre-Project cost (State Share from Section II C1):	\$0
B. Total Annual Post-Project cost (State Share from Section II C2):	(\$200,000)
State Government Benefit (= A-B):	\$200,000
Annual Benefit Summary:	\$200,000
State Government Benefit:	\$200,000
Citizen Benefit:	\$4,899,990
Opportunity Value or Risk/Loss Avoidance Benefit:	\$0
C. Total Annual Project Benefit:	\$5,099,990
D. Annual Prorated Cost (From Budget Table):	\$696,006
Benefit / Cost Ratio: (C/D) =	7.33
Return On Investment (ROI): ((C-D) / Requested Project Funds) * 100 =	869.92%

[This section to be scored by application evaluator.]

Evaluation (25 Points Maximum)

- The financial analysis contains several questionable entries and provides minimal financial benefit to citizens (0-8 points).

- The financial analysis seems reasonable with few questionable entries and provides a moderate financial benefit to citizens (9-16 points).
- The financial analysis seems reasonable with no problem areas and provides maximum financial benefit to citizens (17-25).



Note: For projects where no State Government Benefit, Citizen Benefit, or Opportunity Value or Risk/Loss Avoidance Benefit is created due to the nature of the project, the Benefit/Cost Ratio and Return on Investment values are set to Zero.

Appendix A. Auditable Outcome Measures

For each of the following categories, list the auditable metrics for success after implementation and identify how they will be measured.

1. Improved customer service

Customer Service Evaluations will be conducted as part of service delivery, target will be to achieve a 90% satisfaction rating.

2. Citizen impact

Reduction in costs for tax return preparation for those using services will be measured.

3. Cost Savings

Department will measure program effects in conjunction with other program measurements to document that savings in costs of processing or customer service; these will include program costs for processing of tax returns; costs for department distribution of paper documents; costs for processing of information necessary for local tax administration etc.

4. Project reengineering

Agency will examine programs to determine if improvements in service delivery can be documented.

5. Source of funds (Budget %)

No response required

6. Tangible/Intangible benefits

Employee satisfaction will be measured to insure that benefits of program are fully understood within organization.

Return